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SECRETARY OF STATE RUSK TRANSMITS PROPOSED EAST-WEST  
TRADE RELATIONS ACT OF 1966 TO THE CONGRESS

Secretary of State Dean Rusk today transmitted to the Congress proposed legislation to provide the President with the authority necessary to negotiate commercial agreements with the Soviet Union and other nations of Eastern Europe to increase United States trade in peaceful goods with these countries.

The proposed East-West Trade Relations Act of 1966 was sent with identical letters from the Secretary to Speaker of the House John W. McCormack and Vice President Hubert H. Humphrey, President of the Senate.

Secretary Rusk's action today was taken pursuant to instructions of President Johnson on May 3. At that time, the President recalled that he had promised in his State of the Union message to request the proposed authority.

"The intimate engagement of peaceful trade, over a period of time, can influence Eastern European societies to develop along paths that are favorable to world peace," the President added. "After years of careful study, the time has now come for us to act, and act we should and act we must.

"With these steps, we can help gradually to create a community of interest, a community of trust, and a community of effort. Thus will the tide of human hope rise again."

The texts of the Secretary's letter of transmittal and the proposed East-West Trade Relations Act of 1966 are attached.

ATTACHMENT A

ATTACHMENT A

TEXT OF IDENTICAL LETTERS FROM SECRETARY OF STATE DEAN RUSK  
TO SPEAKER OF THE HOUSE JOHN W. McCORMACK AND THE PRESIDENT  
OF THE SENATE, VICE PRESIDENT HUBERT H. HUMPHREY

May 11, 1966

At the direction of the President, I am sending to the Congress proposed legislation to provide the President with the authority necessary to negotiate commercial agreements with the Soviet Union and other nations of Eastern Europe to widen our trade in peaceful goods, when such agreements will serve the interests of the United States.

This authority is needed so that we may grasp opportunities that are opening up to us in our relations with the Soviet Union and the countries of Eastern Europe. It is needed, at a time when we are opposing Communist aggression in Viet-Nam, in order to carry forward the balanced strategy for peace which, under four Presidents, our country has been pursuing toward the Communist nations. It is needed to play our part with the NATO nations in reducing tensions and establishing normal and lasting peaceful relations between the West and East in Europe.

New Opportunities

It is the normal and traditional practice of the United States to encourage peaceful trade with other countries -- even those with which we have serious differences. Yet for nearly two decades, we have put major restrictions on our trade with the Soviet Union and Eastern Europe. We applied these restrictions only when the Soviet Union extended control over its Eastern European neighbors and embarked on a course of aggressive expansionism. They properly signified our moral protest against the subjugation of half a continent and gave our protest practical economic effect. Now, however, the hopes that guided our policy have begun to be realized.

In recent years, there have been substantial changes among the Communist nations, within themselves, and in their relations to the nations of Western Europe. Windows in Eastern Europe are being gradually opened to the winds of change. Most of the countries of Eastern Europe have shown signs of increasing independence in guiding their own economic and political courses. They have shown greater concern for the needs of their citizens as consumers. A growing trade in peaceful goods has sprung up between Eastern Europe and the Western world. The Soviet Union itself has recognized this need for more responsive action in its own country as well as in Eastern Europe.

This process of change is continuing. It presents growing opportunities for the United States and for the cause of freedom. But we are not now able to take full advantage of these opportunities. Our trade policies which once served our national interest no longer do so adequately.

What then is needed?

The weakness

The weakness in our position is the outdated, inflexible requirement of law that we impose discriminatory tariffs on the import of goods from Communist countries. All imports from the Soviet Union and Eastern Europe, excepting Poland and Yugoslavia, are subject to the original rates of duty in the United States Tariff Act of 1930. The President has no authority to negotiate with any of these countries for the advantages that we can gain from offering them the more favorable rates that have been negotiated under reciprocal trade agreements over the last thirty years and that now apply to imports from all other nations with whom we trade. We alone of all the major Free World countries have so tied our hands.

The inability of the President to negotiate on this matter sharply reduces his power to use the great economic power of our trade as a bargaining instrument.

In the light of this situation, the President said in his 1965 State of the Union Message:

"In Eastern Europe restless nations are slowly beginning to assert their identity. Your government, assisted by leaders in labor and business, is exploring ways to increase peaceful trade with these countries and with the Soviet Union. I will report our conclusions to the Congress."

Accordingly, to supplement the studies being made in the Government, on February 16, 1965, the President appointed a Special Committee on U.S. Trade Relations with Eastern European Countries and the Soviet Union under the Chairmanship of Mr. J. Irwin Miller. Each member was a widely respected and experienced leader from business, labor or the academic world.

The Special Committee made its report to the President on April 29, 1965. That report provides a searching and balanced analysis of this complex and important subject. It deserves careful study by all citizens and members of the Congress interested in this subject and in this proposed legislation.

The Special Committee concluded that to accomplish our purposes in Eastern Europe we must be able to use our trade policies flexibly and purposefully. The Committee recommended, specifically, that the President should be given discretionary authority to negotiate commercial agreements with individual Communist countries when he determines any such agreement to be in the national interest and to grant them in such agreements the tariff treatment we apply to all our other trading partners.

The Administration agrees with this recommendation of the Special Committee and this is the principal authority asked in the proposed legislation.

#### Benefits of the Legislation

We must consider the potential benefits and liabilities that may flow from enacting or failing to enact the proposed legislation.

There is

There is abundant evidence that without the authority this legislation would provide, we are losing and will continue to lose significant opportunities to influence the course of events in Eastern Europe. By denying ourselves the ability to enter into meaningful commercial agreements with these nations, we deprive ourselves of the economic benefits that will come to us from increasing trade. More important, we deprive ourselves of a bargaining tool of considerable strength and utility. We unnecessarily limit our influence in Eastern Europe relative to the influence of other nations engaged in or opening wider trade there.

The enactment of the proposed legislation would not weaken or injure the position of the United States in any way. The legislation does not in itself make any grant or concession of any kind to the Soviet Union or any Eastern European country. It would not weaken our legislation, our policy or our controls on exports of strategic goods to Communist countries. Its sole effect would be to give the President added strength to negotiate with these Communist countries to obtain concessions and benefits that will serve the national interest of our country in return for granting the same tariff arrangements already available to other countries.

The benefits of the legislation could be numerous and valuable.

First, improving our trade relations with these countries would be profitable in itself. As their national economies turn more and more toward consumer needs and desires, they will become more attractive markets for our exports. We lead the world in the efficient production of goods which enrich the quality of everyday life. We can expect that new and increasing export opportunities will open up for American industry, American agriculture and American labor. While this trade potential may be modest for the foreseeable future in relation to total United States exports, it could, nevertheless, be significant over the years and of particular importance to American agriculture and to certain American industries.

Although any agreement with any individual nation will necessarily and properly open the way for increased sales of that nation's products to Americans who want to buy them, we have no reason to fear such trade. American industry is the most competitive in the world and thrives on the stimulus of competition.

Second, authority to relax tariff restrictions will give the President the ability to negotiate more effectively for any of several objectives important to the United States. These might include, for example, provisions for the settlement of commercial disputes, the facilitation of travel by United States citizens, the protection of United States copyrights, patents and other industrial property rights, assurances to prevent trade practices injurious to United States labor and industry, settlement of financial claims and lend-lease obligations, more satisfactory arrangements in cultural and information programs--and others of our economic, political and cultural objectives. These possibilities are of course only illustrative and it is improbable that all of them could be dealt with in a single agreement. We will need to test each negotiation for the gains to be made in it.

The Congress may be confident that no agreement will be made under this authority except in return for benefits of equal importance to the United States. Moreover, each agreement will include a provision for suspension or termination upon reasonable notice, so that the President

may --

may -- and the Congress may be certain he would -- suspend or end the obligations of the United States if he determined the other party were not carrying out its commitments.

Third, the most important benefits from any such agreements would develop more slowly. We cannot expect trade alone to change the basic nature of the Communist system in any Eastern European country nor to settle fundamental differences between us. We can, however, expect that the many close relationships normally growing out of trade will provide opportunities for influencing the development of their societies toward more internal freedom and peaceful relations with the free world.

A healthy growth of trade will help to reduce the present dependence of these Eastern European countries on each other and the Soviet Union. They will be encouraged to rebuild the friendly ties they have historically had with the West. Independent action will become more attractive and more feasible. The conclusion of an agreement with any of these countries will be an inducement to others to seek the same benefits.

The very nature of trade, the necessity to follow established rules of behavior, the increased contact with the West, the increasing use of Western goods, the growing appreciation of their quality and of the efficient methods of their manufacture, the growing understanding of the skills, opportunities and earnings of free labor in the United States and other Western nations, the greater exposure to the miracles of American agriculture -- all these things could encourage increasing liberalization of the internal economies of the Eastern European nations.

The Soviet Union and other nations of Eastern Europe are increasingly conscious of their stake in stability and in improving peaceful relations with the outside world. Progress toward normal trade relations will increase that stake.

Under the terms of the proposed legislation, each agreement would be only one step in the process of reducing tensions. Agreements would not be of indefinite duration but would be subject to periodic review and to renewal at regular intervals. Each review could become a new opportunity for a useful dialogue with a Communist country. Each renewal could be adapted to encourage the further peaceful evolution of that individual country and the improvement of our relations with it.

There is wide and growing understanding throughout the country that improved conditions for peaceful trade with the Soviet Union and the countries of Eastern Europe would be in the national interest and should be a proper subject of negotiation with those countries. Many business, industrial and agricultural leaders and other expert witnesses who testified in the extensive hearings held on this subject by the Senate Foreign Relations Committee and the House Foreign Affairs Committee concluded that the United States could benefit from the possibility of wider peaceful trade with the Eastern European countries under proper safeguards. So too have a number of leading private organizations that have studied the problem.

To fulfill his Constitutional responsibilities for the conduct of our foreign policy in this complex era, the President must have available  
to him

to him every appropriate bargaining tool. Nowhere is this need more critical than in our relations with the Communist countries. Granting this flexible authority to the President would not be a concession to the Communist world. Rather, it would give him a valuable instrument of foreign policy to be used where and when it will advance the interests of the United States.

#### Conducting a Balanced Strategy

In addition to the gains already stated which the proposed legislation can help to realize, it can be an important element in our balanced strategy for peace.

We are reaffirming in Viet-Nam -- as we have on many earlier battlefields -- our determination to aid free and independent nations to defend themselves from destruction by Communist aggression or subversion. But determined resistance to such force is only a part of our strategy to maintain a peaceful world.

It has equally been our purpose to demonstrate to the Communist countries that their best interests lie in seeking the well-being of their peoples through peaceful relations with the nations of the free world. We want the Soviet Union and the nations of Eastern Europe to understand that we will go step by step with them as far as they are willing to go in exploring every path toward enduring peace. We require only that our willingness and our actions be genuinely matched by theirs.

We are confident that this policy is sound even when we are fighting against Communist weapons in Viet-Nam. Indeed, it is when we are resisting force with force that it is most important to hold open every possible avenue to peace. We need to make unmistakably clear to all the Communist nations of Eastern Europe that their best interests lie in economic development and peaceful trade, not in support of futile attempts to gain advantage through the use of force.

#### The Legislation

The proposed legislation contains five principal provisions.

The first states the purpose of the Act, particularly to use peaceful trade and related contacts with Communist countries to advance the long-range interests of the United States.

The second authorizes the President to enter into a commercial agreement with a Communist country when he determines it will promote the purposes of the Act, will be in the national interest and will result in benefits to the United States equivalent to those provided by the agreement to the other party.

The third states some of the benefits we may hope to gain in such agreements.

The fourth limits each agreement to an initial period of three years, renewable for three-year periods. It requires that each agreement provide for regular consultations on its operations and on relevant aspects of United States relations with the other country. It also requires that each agreement be subject to suspension or termination at any time on reasonable notice.

The fifth

The fifth is the central provision recommended by the responsible groups studying this matter: the President would have authority to proclaim most-favored-nation treatment for the goods of Communist nations with which a commercial agreement is made under the Act. Such MFN treatment would continue only so long as the agreement is in effect.

The President would have the authority to suspend or terminate any proclamation made pursuant to this Act. The President should do so whenever he determines that the other party to the agreement is no longer fulfilling its obligations under the agreement, or that suspension or termination is in the national interest.

As part of his negotiating power with respect to a commercial agreement with the Soviet Union, the President would have authority to terminate the existing provisions of law excluding certain furs of Soviet origin.

The authority of the Act would not extend to Communist China, North Korea, North Viet-Nam, Cuba or the Soviet Zone of Germany.

The bill expressly provides that it does not modify or amend the Export Control Act or the Battle Act which together control the export of military articles and strategic goods and technology which would adversely affect the national security and welfare of the United States.

The bill does not change in any way existing laws and regulations prohibiting aid and limiting credit to Communist countries.

All agreements will be promptly transmitted to both Houses of Congress.

#### Conclusion

In 1958 President Eisenhower made it clear that "the United States favors the expansion of peaceful trade with the Soviet Union" and spoke of the importance of trade as a means of strengthening the possibilities for independent actions by the countries of Eastern Europe.

President Kennedy in his first State of the Union Message declared his determination that "we must never forget our hopes for the ultimate freedom and welfare of the peoples of Eastern Europe."

In December, 1964, President Johnson expressed our wish "to build new bridges to Eastern Europe: -- bridges of ideas, education, culture, trade, technical cooperation and mutual understanding for world peace and prosperity." In May of this year, the President again referred to the way in which "the intimate engagement of peaceful trade, over a period of time, can influence Eastern European societies to develop along paths that are favorable to world peace."

The authority asked in this legislation will help attain these goals.

In Greece, Berlin, Korea, Cuba, and, now, Viet-Nam we have tried to convince the Communist countries that the road of aggression and subversion has a dead end. This legislation will help us provide the positive

counterpart

counterpart to that lesson. It will give the President a vital instrument of negotiation to maintain essential balance in our relations with the Soviet Union and with the Communist countries of Eastern Europe and to respond to their growing desire and opportunity for wider contacts with the West. It will thereby serve our own interests and the cause of peace and stability.

/S/  
Dean Rusk

Attachment B

Attachment B

A BILL

To promote the foreign policy and security of the United States by providing authority to negotiate commercial agreements with Communist countries, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SEC. 1. SHORT TITLE.

This Act may be cited as the "East-West Trade Relations Act of 1966".

SEC. 2. STATEMENT OF PURPOSES.

The purposes of this Act are --

(a) to use peaceful trade and related contacts with Communist countries as a means of advancing the long-range interest of the United States in peace and freedom;

(b) to promote constructive relations with Communist countries, to contribute to international stability, and to provide a framework helpful to private United States firms conducting business relations with Communist state trading agencies by instituting regular government-to-government negotiations with individual Communist countries concerning commercial and other matters of mutual interest; and

(c) to increase peaceful trade and related contacts between the United States and Communist countries, and to expand markets for products of the United States in these countries by creating similar opportunities for the products of Communist countries to compete in United States markets on a non-discriminatory basis.

SEC. 3. AUTHORITY TO ENTER INTO COMMERCIAL AGREEMENTS.

The President may make a commercial agreement with a Communist country providing most-favored-nation treatment to the products of that country whenever he determines that such agreement --

(a) will promote the purposes of this Act,

(b) is in the national interest, and

(c) will result in benefits to the United States equivalent to those provided by the agreement to the other party.

SEC. 4. BENEFITS TO BE PROVIDED BY COMMERCIAL AGREEMENTS.

The benefits to the United States to be obtained in or in conjunction with a commercial agreement made under this Act may be of the following kind, but need not be restricted thereto:

(a) satisfactory arrangements for the protection of industrial rights and processes;

(b) satisfactory

(b) satisfactory arrangements for the settlement of commercial differences and disputes;

(c) arrangements for establishment or expansion of United States trade and tourist promotion offices, for facilitation of such efforts as the trade promotion activities of United States commercial officers, participation in trade fairs and exhibits, the sending of trade missions, and for facilitation of entry and travel of commercial representatives as necessary;

(d) most-favored-nation treatment with respect to duties or other restrictions on the imports of the products of the United States, and other arrangements that may secure market access and assure fair treatment for products of the United States; or

(e) satisfactory arrangements covering other matters affecting relations between the United States and the country concerned, such as the settlement of financial and property claims and the improvement of consular relations.

SEC. 5. PROVISIONS TO BE INCLUDED IN COMMERCIAL AGREEMENTS.

A commercial agreement made under this Act shall --

(a) be limited to an initial period specified in the agreement which shall be no more than three years from the time the agreement becomes effective;

(b) be subject to suspension or termination at any time upon reasonable notice;

(c) provide for consultations at regular intervals for the purpose of reviewing the operation of the agreement and relevant aspects of relations between the United States and the other party; and

(d) be renewable for additional periods, each not to exceed three years.

SEC. 6. EXTENSION OF BENEFITS OF MOST-FAVORED-NATION TREATMENT.

(a) In order to carry out a commercial agreement made under this Act and notwithstanding the provisions of any other law, the President may by proclamation extend most-favored-nation treatment to the products of the foreign country entering into such commercial agreement: Provided, That the application of most-favored-nation treatment shall be limited to the period of effectiveness of such commercial agreement.

(b) The President may at any time suspend or terminate any proclamation issued under subsection (a). The President shall suspend or terminate such proclamation whenever he determines that --

(1) the other party to a commercial agreement made under this Act is no longer fulfilling its obligations under the agreement; or

(2) the suspension or termination of the agreement is in the national interest.

SEC. 7.

SEC. 7. ADVICE FROM GOVERNMENT AGENCIES AND OTHER SOURCES.

Before making a commercial agreement under this Act, the President shall seek information and advice with respect to such agreement from the interested Departments and agencies of the United States Government, from interested private persons, and from such other sources as he may deem appropriate.

SEC. 8. TRANSMISSION OF REPORTS TO CONGRESS.

The President shall submit to the Congress an annual report on the commercial agreements program instituted under this Act. Such report shall include information regarding negotiations, benefits obtained as a result of commercial agreements, the texts of any, such agreements, and other information relating to the program.

SEC. 9. LIMITATION ON AUTHORITY.

The authority conferred by this Act shall not be used to extend most-favored-nation treatment to the products of areas dominated or controlled by the Communist regimes of China, North Viet-Nam, North Korea, Cuba, or the Soviet Zone of Germany.

SEC. 10. RELATION TO OTHER LAWS.

(a) This Act shall not apply to any agreement made with a country whose products are receiving, when such agreement is made, the benefits of trade agreement concessions extended in accordance with section 231(b) of the Trade Expansion Act of 1962 (19 U.S.C. sec. 1861 (b)).

(b) Nothing in this Act shall be deemed to modify or amend the Export Control Act of 1949 (50 U.S.C. App. sec. 2021 et seq.) or the Mutual Defense Assistance Control Act of 1951 (22 U.S.C. sec. 1611 et seq.)

(c) The President may by proclamation terminate headnote 4 to schedule 1, part 5, subpart B of the Tariff Schedules of the United States (77A Stat. 32, 19 U.S.C. sec. 1202) with respect to the products of any country to which it is applicable upon the entry into force of a commercial agreement made under this Act with such country.

(d) Any commercial agreement made under this Act shall be deemed a trade agreement for the purposes of title III of the Trade Expansion Act of 1962 (19 U.S.C. sec. 1901 et seq.)

(e) The portion of general headnote 3(e) to the Tariff Schedules of the United States that precedes the list of countries and areas (77A Stat. 11; 70 Stat. 1022) is amended to read as follows:

"(e) Products of Communist Countries. Notwithstanding any of the foregoing provisions of this headnote, the rates of duty shown in column numbered 2 shall apply to products, whether imported directly or indirectly, of the countries and areas that have been specified in section 401 of the Tariff Classification Act of 1962, in sections 231 and 257(e)(2) of the Trade Expansion Act of 1962, or in actions taken by the President

thereunder

thereunder and as to which there is not in effect a proclamation under section 6(a) of the East-West Trade Relations Act of 1966. These countries and areas are:"

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